

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 OMB-01 L-03 PA-01 PRS-01 /050 W

----- 025458

R 020638Z APR 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2993

INFO AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: EINV MY

SUBJ: INDUSTRIAL COORDINATION ACT

1. IN SEPARATE MEETINGS, COMATT HAS RECENTLY DISCUSSED STATUS OF INDUSTRIAL COORDINATION ACT (ICA) WITH TWO LEADING FIGURES ON BOTH PRO AND ANTI-ICA SIDES. THESE ARE YAP WING CHUN, ASSISTANT SECRETARY OF FEDERATION OF MALAYSIAN MANUFACTURERS (FMM-ORGANIZATION THAT HAS SPEARHEADED OPPOSITION TO ICA) AND ZAINUDDIN BIN HAJI DIN, DIRECTOR, INDUSTRIES DIVISION, MINISTRY OF TRADE AND INDUSTRY (MTI-CHARGED WITH IMPLEMENTING ICA).

2. BOTH YAP AND ZAINUDDIN AGREE THAT ICA WILL BE IMPLEMENTED WITHIN MONTH OR TWO. FITTINGLY, BOTH AGREE THAT AFTER ARDUOUS NEGOTIATING PROCESS, INTERESTS THEY REPRESENT CAN LIVE WITH RESULTS AND THAT THEIR MINIMUM GOALS HAVE BEEN OBTAINED. YAP, WHOSE ORGANIZATION BASICALLY REPRESENTS CHINESE INDUSTRIALISTS, FEELS THAT FMM HAS SUCCEEDED IN SUBSTANTIALLY WEAKENING MANY NEGATIVE FACTORS CONTAINED IN MTI'S ORIGINAL DRAFT IMPLEMENTING REGULATIONS. HE BELIEVES THAT FMM MEMBERS, WHILE STILL UNHAPPY OVER ENTIRE ICA CONCEPT, NOW HAVE SITUATION THEY CAN LIVE WITH. FOR HIS PART, ZAINUDDIN BELIEVES MTI'S ESSENTIAL POLICY OF OBTAINING CONTROL OF MANUFACTURING SECTOR HAS ALSO BEEN ACHIEVED AND IS QUITE PLEASED WITH EMERGING

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REGULATIONS. HE CONTINUES TO STRESS MTI'S INTENTION TO

ADMINISTER ICA IN FLEXIBLE AND EVEN-HANDED MANNER. HE SPECIFICALLY MENTIONED CARE WITH WHICH MTI WILL APPLY ICA TO FOREIGN INVESTORS, QUOTING PRIME MINISTER HUSSEIN BIN ONN'S BELIEF IN THE CRITICAL NECESSITY FOR MALAYSIA TO ATTRACT FOREIGN INVESTMENT IF THIRD MALAYSIA PLAN AND NEW ECONOMIC POLICY ARE TO SUCCEED.

3. COMMENT: WHILE THE ABOVE COMMENTS MAY REPRESENT SOME DEGREE OF WHISTLING IN THE DARK, EMBASSY BELIEVES THAT IMPLICATIONS THAT EMERGE ARE QUITE POSITIVE. AFTER LONG AND AT TIMES DIFFICULT NEGOTIATIONS, BOTH PARTIES APPEAR TO BE SATISFIED WITH OUTCOME. NEITHER OBTAINED ALL THEY WANTED BUT BOTH FEEL THAT THEIR BASIC INTERESTS HAVE BEEN PROTECTED. FACT THAT ICA HAS NOW RECEIVED EXTENSIVE PUBLIC SCRUTINY AND THAT MTI HAS MADE EFFORT TO ACCOMMODATE PRIVATE SECTOR DEMANDS INTO FRAMEWORK THAT MEETS ITS BASIC POLICY DESIRES SHOULD HAVE BENEFICIAL EFFECT ON RELATIONS BETWEEN GOM AND PRIVATE SECTOR. WILLINGNESS OF GOM TO ACCOMMODATE PRIVATE SECTOR DEMANDS WILL BE FAVORABLY VIEWED BY MOST INVESTORS, BOTH FOREIGN AND DOMESTIC. IN FINAL ANALYSIS, GOM'S REAL INTENTIONS CAN ONLY BE DETERMINED WHEN ICA IS IMPLEMENTED. HOWEVER, ITS WILLINGNESS TO NEGOTIATE IN APPARENT GOOD FAITH BODES WELL FOR FUTURE.

UNDERHILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, INDUSTRIAL CONTROLS, ORGANIZATION & MANAGEMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUALA01911
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760125-0566
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197604104/aaaadlqq.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAY 2004 by greeneet>; APPROVED <23 SEP 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDUSTRIAL COORDINATION ACT
TAGS: EINV, MY
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006